



9 SOUTH 12TH STREET, SUITE 300 • RICHMOND, VA 23219
PHONE 804.225.5830 • FAX 804.643.4490

September 22, 2004

Ms. Kimberley Lipp
Virginia Department of Corrections
6900 Atmore Drive
Richmond, VA 23225

Dear Ms. Lipp:

The KBR Team (Kellogg Brown & Root) welcomes the opportunity to propose to the Virginia Department of Corrections a model public-private partnership that will add inmate capacity to the VDOC system, introduce a flexible development program to meet VDOC's current and future needs, and further foster employment, development and business opportunities in southwest Virginia.

Our approach is founded on true team development, alignment and consensus by establishing open communication and teamwork at kick-off that lasts throughout the lifetime of the program.

Together, our team brings

- **Unparalleled Southwest Virginia Experience:** Our key personnel have substantial experience in the planning, design, construction and operations of correctional facilities in southwest Virginia.
- **Sound, Cost-Effective Solutions:** Even the most challenging projects can still yield impressive, efficient and effective solutions. Our value engineering processes ensure VDOC maximizes on every dollar invested in this program.
- **Virginia Public-Private Partnership Experience:** We understand the processes and requirements to move a public-private partnership forward to maximize the benefits of PPEA legislation.

In accordance with the applicable statutes governing such matters (2.2-3705.A.56 of the Code of Virginia) we are requesting that the section of our proposal filed in accordance with the Public-Private Education Facilities Infrastructure Act and the RFP as identified as "Proprietary Proposal" be held confidential and proprietary. It is our contention and belief that said section qualifies as it describes a method of financing with narrative text and a detailed description of our proposed design.

The KBR team is committed to working as an extension of VDOC to achieving VDOC's goals and visions. We understand the need to add inmate capacity in a timely manner and are ready to proceed upon notification. We look forward to the opportunity to create a model public-private partnership with the KBR Team and the VDOC. Please contact me if you have any questions or require additional information.

Sincerely,

William B. Hudson
East Region Vice President



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** This confidential information is contained in a separate binder.*



Executive Summary

The KBR team is uniquely qualified to create a public-private partnership with the Virginia Department of Corrections to add facilities to its system. Our team has unparalleled experience in southwest Virginia, designing and building correctional facilities, moving public-private partnerships forward, and contributing to the development of the area. We understand the need for additional facilities and have the flexible design and approach that allow VDOC to optimize the benefits of a public-private partnership with the KBR team.

Southwest Virginia Experience

The KBR team is not just aware of development potential in southwest Virginia; we are also members of the community, driven to create employment opportunities and business growth. Our experience in southwest Virginia is second to none.

- Our consortium of firms has been working together for over a decade delivering successful projects to the Commonwealth of Virginia. We have participated in the design of every correctional facility built west of Roanoke in the last 10 years.
- The KBR team has a proven track record of maximizing local business involvement, reaching 85% local participation and creating hundreds of jobs in southwest Virginia. We have done it before and will do it again.
- Our team has successful programs in place to involve and educate the public, provide job fairs and employment opportunities, and keep the community informed of all program activities.

Flexibility for VDOC

Because the need for new facilities is a changing one, our flexible plan not only anticipates, but also plans for future capacity needs.

- Our design allows for future VDOC facility growth with the confidence in our partnership and without the expense of additional procurement processes.
- We can perform the work in phases based on VDOC's need.
- The KBR team's design is site-adaptable, allowing for the best possible site in the Mount Rogers planning district or Charlotte County to be selected to implement this high-profile project.

Maximize Benefits and Opportunities of a Public-Private Partnership

By partnering with the KBR team, VDOC will maximize the opportunities afforded by PPEA legislation as we work together to build a model public-private partnership.

- The KBR team is involved in groundbreaking public-private partnerships for the Commonwealth of Virginia, one of which is the largest to date.
- Our plan allows for a fast-track design-build schedule which potentially reduces delivery schedule by up to and over 50%, optimizing the benefits of a PPEA development program.
- Our public-private partnership shifts the risk off of VDOC and on to the KBR team, an additional major benefit of this development program.
- Our partnership will allow for providing additional facility capacity without adverse impact to state budgets.

1. Qualifications and Experience

- a. *Identify the legal structure of the firm or consortium of firms making the proposal. Identify the organizational structure for the project, the management approach and how each partner and major subcontractor (\$1 million or more) in the structure fits into the overall team. All members of the operator/offeree's team, including major subcontractors known to the proposer must be identified at the time a proposal is submitted for the Conceptual Stage. Identified team members, including major subcontractors (over \$5 million), may not be substituted or replaced once a project is approved and comprehensive agreement entered into, without the written approval of the Commonwealth. Include the status of the Virginia license of each partner, proposer, contractor, and major subcontractor.*

The consortium of firms proposing to the Virginia Department of Corrections is led by Kellogg, Brown and Root, Inc (KBR). KBR brings its longtime partners Hayes, Seay, Mattern and Mattern (HSMM) as the lead Architect/Engineer and Thompson and Litton (T&L) providing design services. This team will be joined by English Construction as lead construction contractor. Our proven team brings a history of great successes in prior teaming efforts in southwest Virginia. This team not only has experience working together on correctional facilities, but we have proven success moving several groundbreaking public-private partnership projects forward for the state of Virginia.

Our presence and commitment to southwest Virginia and maximizing the opportunities afforded by PPEA legislation makes us uniquely qualified to deliver correctional facilities solutions to VDOC. The KBR team as a whole is an ideal partner for a public-private partnership because we have the regional corrections experience as well as the public-private partnership model needed to effectively undertake this project.

Legal Structure

Our team is a strategic collaboration developed to provide VDOC with the best possible combination of local knowledge and experience, management expertise, technical capabilities, financial strength and quality resources needed to add additional correctional facilities. KBR is the principal contractual entity and leader of the development program. HSMM is the lead Architect/Engineer, supported by T&L as designer. English Construction is the construction leader. The Virginia licenses of each team member are current.



Management Approach

The KBR team's management approach will draw on the experience and expertise of VDOC, team members and individuals responsible for various activities to ensure the project is designed and built to meet cost, quality, and schedule. All members of our team are committed as a single group entity to the execution of this project. Our team will be directly accountable to VDOC and other involved entities, proactively establishing and maintaining confidence in the project team's performance.

We will use each team member's resources to build a seamless organization that is responsive to the needs of the project and to the flexibility and innovative potential of the design-build-operate-finance contract. This structure allows a fast-track approach with concurrent engineering and construction programs. With the synergy created by combining the local experience, financial resources and technical know-how of these firms, we possess the strength to see this project through to successful completion.

We understand that a successful project begins with building a foundation of a strong team with open and effective means of communication. Our goal is to join forces with VDOC and create a model public-private partnership together by clearly defining the program's objectives, financing, schedule and overall expectations upon project kick-off. As a team, we believe that the greatest benefits of a development program come from sound decisions made during a project's planning, design and preconstruction phase, when there is still sufficient flexibility to identify and build into the project features that can result in major savings in cost and time.

The management approach will flow from the comprehensive agreement and individual team agreements. Those parties identified in the organizational chart will manage responsibilities and risk allocation within their specific roles. The lead development manager for the project is KBR. KBR's project director will orchestrate the entities and activities underway and will be the primary point of contact with VDOC. We will work with VDOC to ensure that we create an environment where the KBR team works effectively with the VDOC project team.

We recognize that building a partnership is an ongoing effort that lasts throughout the lifetime of the program. We plan to operate as an extension of VDOC, working closely as a team to meet our objectives and deliver a solution to current correctional facility needs in the most effective and efficient way possible.

The KBR team's approach is designed to align completely with VDOC's goals and objectives at the outset.

Key Personnel

Ben Hudson, East Region Vice President, KBR

Mr. Hudson brings 17 years of experience in the design and construction of correctional, commercial, industrial and residential projects. He has 14 years of Virginia operations experience, including knowledge of the Department of Corrections as well as geographical conditions, climatic conditions and local contractors. His extensive project experience with the Virginia Department of Corrections allows him to understand their expectations and requirements. Ben has a proven history of developing and leading teams to execute projects with a commitment to customer satisfaction and loyalty.

John Lemley, Project Director, KBR

Mr. Lemley offers 45 years of construction experience, including 23 years of institutional field experience to the project. His operations management experience includes prisons, regional jails, other detention facilities and criminal justice facilities. John has spent the last seven years managing construction projects in

southwest Virginia, such as the New River Valley Regional Jail and the Tazewell County Jail and Court-house project, for the Virginia Department of Corrections. He has extensive knowledge of Virginia's capital outlay management manual, VDOC standards and other regulatory requirements. In addition, John is also knowledgeable in the use of local contractors, which encourages economic growth within the region. John's depth of experience with the VDOC and projects in southwest Virginia allows him to lead the KBR team through the design/build process to meet and exceed customer expectations.

Jim Kelly, Project Controls Manager, KBR

Mr. Kelly has more than 24 years of work experience in operations, management, and technical services. He has extensive experience in supervising personnel, cost analysis, budgeting, bookkeeping and cash flow analysis. He has also developed a strong technical background that includes project management and design, computer proficiency, and frequent interaction with regulatory agencies. As current project controls manager of the Coalfields Expressway public-private partnership effort, he brings knowledge and a frame of reference for development programs in southwest Virginia to this project.

Bill Porter, Senior Vice President, HSMM

Bill Porter is experienced as Principal-in-Charge for multi-disciplined new design and renovation projects for local, state, and federal government clients. His knowledge of project management includes multi-disciplined architectural and engineering, master planning, and design. His experience focuses on the design of heating, ventilating, and air conditioning (HVAC) systems for justice facilities. Mr. Porter has served as Principal-in-Charge of design for correctional projects in 30 states and overseas.

Paul Garrison, P.E., Lead Engineer, HSMM

Mr. Garrison plans, directs, and coordinates the efforts of the design team on multi-discipline architectural/engineering projects. He has specialized in the design of correctional facilities and design-build projects, and has led teams on multiple projects for the Commonwealth of Virginia. Mr. Garrison is also experienced in the design of HVAC and exhaust systems, and central chiller and boiler installations. In addition to his design efforts, he prepares cost estimates, specifications, energy studies, and life cycle cost analyses and performs field investigations, checking, and shop drawing review.

E. Wayne Mortimer, AIA, Project Architect, HSMM

Mr. Mortimer has over 26 years of experience in the design and construction of various types of facilities for educational, institutional, and governmental clients. He lists to his credit a number of major correctional facility projects, including interior space renovation, exterior renovation, additions, and new facility design in Virginia. His role with each has varied from programming and space planning to design and project management, where he has overseen all phases of projects. In each case, Mr. Mortimer is particularly sensitive to context and the critical functional requirements, as well as the aesthetic qualities created by the design.

Bill Thompson, AIA, Vice President Architecture, Thompson and Litton

Bill is a principal of the firm and serves as Vice President of Architecture. As an extension of his role as Vice President of Architecture, Bill lends his expertise to all architectural projects as Principal-in-Charge, providing oversight, and guidance, QA/QC, and ensures that the project team has access to the resources necessary to complete the project on time and within budget. Within his 28 years of architectural experience in the development, planning, funding, and design of new construction and renovation/adaptive reuse projects, Bill has led T&L's practice of architecture, urban design, and planning for 21 years, tripling it in size, while expanding project delivery methods to include design/build, construction management in both the public and private sector as well as in the public/private partnership arena.

Carl Gutschow, AIA, Lead Architect, Thompson and Litton

Carl has 28 years of experience in the management and design of architectural projects. Since joining T&L, Carl has played a major role in the development, planning, funding and design of new construction and renovation/adaptive reuse projects throughout Virginia. As the project manager on this project he is responsible for coordination of the design. He will see that the necessary services are provided and that the project is completed on time and within budget constraints.

Doug Dalton, President, English Construction Company

With more than 30 years experience, Doug provides direction and oversight for the operations of English Construction Company. He is actively involved in all aspects of the company, including the implementation of public-private partnerships in Virginia. For the last 20 years, virtually all of English's private-sector building work has employed the design-build approach. Doug's understanding of the benefits of PPEA development programs with a design-build approach for our customers leads to a smooth, cost-effective project.

Ron Angelone, President, Correctional Solutions, Inc.

Ron has 32 years experience in the field of corrections, six of which he spent with VDOC where he held three different posts: Superintendent of the Academy for Staff Development & Training in Waynesboro; Warden at the Marion Correctional Treatment Center in Marion; and Warden of the Staunton Correctional Center. Ron is active in national correctional associations and has received a number of honors and awards including being called upon by the national media including CBS's 60 Minutes, CNN's Both Sides with Jesse Jackson, CNN's Burden of Proof, FOX News Network's The O'Reilly Factor, and National Public Radio's Justice Talking to speak on a variety of corrections issues. He is Chairman of the American Correctional Association (ACA) Standards Committee. He is also President of the Association of State Correctional Administrators and past Chairman of the Adult Corrections Committee of the ACA.

- b. *Describe the experience of the firm or consortium of firms making the proposal and the key principals involved in the proposed project including experience with projects of comparable size and complexity. Describe the length of time in business, business experience, public sector experience and other engagements of the firm or consortium of firms. Describe the past safety performance record and current safety capabilities of the firm or consortium of firms. Describe the past technical performance history on recent projects of comparable size and complexity, including disclosure of any legal claims, of the firm or consortium of firms. Include the identity of any firms that will provide design, construction and completion guarantees and warranties and a description of such guarantees and warranties.*

Our southwest Virginia correctional facility experience combined with our groundbreaking public-private partnership experience with the Commonwealth of Virginia is second to none.

Our team is proud to have participated in the design of every local, regional, state or federal detention facility west of Roanoke, Virginia constructed in the last 10 years. Five of these facilities were developed from the grass roots level as a solution to ever increasing inmate populations and need for new and improved infrastructure. This includes the award winning Red Onion Mountain Maximum Security Facility, the largest design-build contract in Virginia history as well as the New River Regional Jail, Tazewell County Courthouse and Southwest Virginia Regional Jails, a hugely successful program. We worked hand in hand with each community and municipality, the Virginia Department of Corrections, and a variety of specialized consultants to successfully plan, design, and construct these important facilities.

Our team has participated in the design of every local, regional, state or federal detention facility west of Roanoke, VA constructed in the last 10 years.



As a consortium, we are involved in the largest private-partnership program to date, the I-81 corridor improvements. We have also created a model public-private partnership with VDOT in our work on the Coalfields Expressway. We bring over a decade of proven experience working together as a team, incorporating lessons learned to ultimately deliver the best possible quality and value to VDOC.

Firms' Relevant Experience

KBR is a worldwide provider of engineering and construction services. Founded in 1919, we have provided design and construction management and general contracting services in Virginia's public and private sectors for almost 40 years. KBR is a leader in its industry, with more than \$1 billion in correctional experience, ranging from multi-jurisdictional regional jails to maximum security prisons to multi-project medium security facilities.

Hayes, Seay, Mattern and Mattern, Inc. is a Roanoke-based engineering and architecture firm with over 57 years of serving the needs of government, industry and private institutions. With a staff of nearly 500 engineers, architects, scientists and support personnel, HSMM serves a national clientele from 16 offices in the eastern United States. HSMM understands the complexities of modern justice facilities. HSMM designers combine years of experience with a workshop approach to develop a facility that meets the needs of the client, the users, and the community. Their experience and innovative approach give the team a broad perspective on the field designing state-of-the-art facilities.

Thompson and Litton has grown over its 48 years and now has offices in Wise, Radford, Clintwood, and Tazewell, Virginia; and Bristol, Tennessee. The firm has a total staff of over 100 employees that includes architects, engineers, land-use planners, construction administrators, grant/ financing specialists, and other support personnel. Over 90 percent of Thompson & Litton's professional services have been provided to public sector clients in Virginia. T&L's key personnel assigned to this project have extensive experience in dealing with local government clients and projects. T&L personnel, from the Principal-in-Charge to the Resident Project Representative, have a unique understanding of and sensitivity to the special needs of local government clients and the demands on local government representatives by their constituencies.

English Construction Company, Inc., based in Lynchburg, Virginia is a third generation family-owned business. For nearly a century, English has been advancing steadily, adding new resources and technology. As they kept pace with changes in the construction industry, their areas of expertise expanded to include a range of infrastructure projects from building and monuments to factories and historic renovation. Their experience in public-private partnerships, dedication to quality and standard for excellence make them an ideal team member.

Correctional Solutions Inc. specializes in correctional facilities management and operations, built on the wealth of Ron Angelone's experience working for the Commonwealth of Virginia. Ron Angelone brings his knowledge, expertise and inside understanding of correctional facility operations to the team. His sole proprietorship, founded September 2002, began working with correctional services firms as an expert in custody operations and offender program services.

Profiles of our team's similar experience are located in Appendix B.

Past Safety Performance

In recognition of KBR's exemplary safety performance, we've twice earned the nation's highest safety award, the Nation's Safest Construction Manager. Our safety policy is to provide and maintain safe and healthful working conditions. Our safety

KBR has twice earned the nation's highest safety award, the Nation's Safest Construction Manager.





and operating procedures were developed to safeguard our employees, our subcontractors, our owners and others who might be working or living around the construction site. We have learned that safe working conditions and efficient operations are a natural result when safety policies and procedures are stringently followed. We take safety seriously. Job site safety requires constant communication and training for all. Further insight into KBR's safety program is located at the end of this section.

Guarantees and Warranties

In providing services for this project, the KBR team will endeavor to perform in a matter consistent with the degree of care and skill and provide what is needed and mutually agreed upon at the outset of our partnership with VDOC.















- c. *For each firm or major subcontractor (\$1 million or more) that will be utilized in the project, provide a statement listing all of the firm's prior projects and clients for the past 3 years and contact information for same (names/addresses /telephone numbers). If a firm has worked on more than ten (10) projects during this period, it may limit its prior project list to ten (10), but shall first include all projects similar in scope and size to the proposed project and, second, it shall include as many of its most recent projects as possible. Each firm or major subcontractor shall be required to submit all performance evaluation reports or other documents which are in its possession evaluating the firm's performance during the preceding three years in terms of cost, quality, schedule maintenance, safety and other matters relevant to the successful project development, operation, and completion.*

As shown on the following pages, our team has a wealth of experience working on correctional facility projects in Virginia and also working together in moving the Coalfields Expressway public-private partnership program. The next page contains a matrix of related work of our consortium in Virginia. The following page is a map of Virginia that shows our extensive experience as a team delivering correctional facilities in Virginia. Additional project information is available in the Department of General Services forms for KBR, HSMM, T&L and English Construction in Appendix A. Detailed profiles of these and other related projects are located in Appendix B.





Medium Security Correctional Facilities

Project	Project Scope	Owner Reference & Phone Number	Team Members
Coalfields Expressway, Southwest Virginia	Construction of the Coalfields Expressway, or Route 121, stretches 51 miles along Southwest Virginia's mountain ridges linking Interstates 64/77 in Beckley, West Virginia, to U.S. Route 23 in Pound, Virginia. Heading the project's design-build-finance consortium, KBR is working in close partnership with Virginia Department of Transportation (VDOT), as enabled by Virginia's Public-Private Transportation Act. Installed Cost: \$1.7 billion, Section A - \$31 million Project Complete: 2022	Malcolm T. Kerley, P.E. Virginia Department of Transportation 804-786-2801	   ENGLISH
Southwest Virginia Regional Jail Abingdon, Duffield, Haysi, VA	Design-build of three multi-jurisdictional jails to serve southwest Virginia. The facilities each include inmate housing area, administration areas, kitchen, dining, medical, visitation, laundry, recreational, conference and clerical court areas. The facilities will house up to 780 inmates with an expansion capacity up to 1,171 beds, from minimum to maximum security housing classifications. Size: 358,748 SF Installed Cost: \$68 million Project Complete: 2005	Lee Noble Southwest Virginia Regional Jail Authority 276-623-0025	  
Tazewell County Courthouse and Jail Tazewell, VA	Design-build/Construction Management of a new courts facility, new 72-bed jail facility, renovation of existing original history courthouse, renovation of adjacent building to house county administration function, demolition of several existing buildings, and the construction of on-site parking and site features. Installed Cost: \$13.5 million Project Complete: 2002 Size: 111,200 SF	James H. Spencer, County Administrator Tazewell County 276-888-1200	 
St. Brides Replacement Facility, Chesapeake, VA	Design phase services and construction management for the St. Brides Replacement Facility. This project consists of an 11-building complex, comprised of inmate housing, inmate dormitories, food service, medical, water treatment plant and wastewater plant. Installed Cost: \$52.5 million Project Complete: 2005	William Ralston, Assistant Program Director Virginia Department of Corrections 804-674-3102	  
New River Valley Regional Jail Dublin, VA	Fast-track project. First project construction under the auspices of Virginia's Design/Build/CM review board. Regional jail in compliance with the accreditation standards of the Virginia Department of Corrections. Size: 139,700 SF Installed Cost: \$25 million Project Complete: 1999	Bob Lloyd, Chairman New River Valley Regional Jail Authority 540-731-3603 Ralph Dobbins	 
Red Onion Mountain Maximum Security Facility Pound, VA	Maximum Security Facility includes construction of 704 precast cell housing units, medical facilities, kitchen/dining areas; segregation and other support functions. Double perimeter fencing complemented by an interior computerized security system. Completed ahead of schedule and under budget. Size: 540,000 SF Installed Cost: \$68 million Project Complete: 1998	William Ralston, Assistant Program Director Virginia Department of Corrections 804-674-3102	 
City of Richmond Jail Expansion Richmond, VA	Two-story addition to an occupied multi-custody facility, adding 100 beds, implementing a design that maximized operational effectiveness. Constructed in record time without sacrificing quality or impacting the existing facility's operations or security. Installed Cost: \$2.9 million Project Complete: 1991	City of Richmond Department of Public Works	 ENGLISH

KBR/706

**Placeholder for 11 x 17 Map of Virginia graphic
(See separate document on CD)**

Medium Security Correctional Facilities

- d. *Provide the names, addresses, and telephone numbers of persons within the firm or consortium of firms who may be contacted for further information.*

KBR
Ben Hudson, East Region Vice President
9 South 12th Street, Suite 300
Richmond, VA 23219
(804) 225-5833

Thompson and Litton
Bill Thompson, Vice President of Architecture
103 East Main Street
Post Office Box 1307
Wise, VA 24293
(276) 328-2161

HSMM
Bill Porter, Senior Vice President
448 Viking Drive, Suite 145
Virginia Beach, VA 23452
(757) 306-4000

English Construction
Doug Dalton, President
615 Church Street
Lynchburg, VA 24504
(434) 845-0301

- e. *Provide a current or most recently audited financial statement of the firm or firms and each partner with an equity interest of twenty percent or greater.*

KBR is a wholly-owned subsidiary of Halliburton Company. The firm's financial data is consolidated with Halliburton and reported as a single unit. A current annual report is included in the Appendix and demonstrates a sound financial status for both KBR and Halliburton.

- f. *Identify any persons known to the proposer who would be obligated to disqualify themselves from participation in any transaction arising from or in connection to the project pursuant to The Virginia State and Local Government Conflict of Interest Act, Chapter 31 (§ 2.2-3100 et seq.) of Title 2.2.*

Pursuant to the Virginia State and Local Government Conflict of Interest Act, Chapter 31 (§ 2.2-3100 et seq.) of Title 2.2, we confirm that we know of no one on the project team would be obligated to disqualify him or herself from participation in this project.

- g. *Identify proposed plan for obtaining sufficient numbers of qualified workers in all trades or crafts required for the project.*

KBR is recognized worldwide for being able to staff projects, regardless of location and conditions. The KBR team has the depth and diversity of resources to deliver a successfully staffed program. We are positioned to respond to immediate project needs. The KBR team has successfully staffed a continuum of correctional facilities projects in southwest Virginia, from Red Onion to Tazewell to New River Regional Jail to Southwest Virginia Regional Jail.

KBR currently employs 18 people on their Southwest Virginia Regional Jail project, 11 of whom were local hires. These employees have proven that they can work well as a team and they are all conveniently located so that they could begin work on this project when released from their current assignment. Downsizing of our staff on this project will begin in December, 2004 with all staff available for reassignment by the end of April, 2005.

In areas where we project a shortage of trades, we would offer a job fair to make sure individuals and small, disadvantaged and local businesses are aware of contracting opportunities throughout the project. This delivers additional benefit to the community, opening up employment opportunities.

One of the most important activities in the control of quality and schedule is the selection of qualified bidders and suppliers. Only a very thorough prequalification of bidder applicants can assure quality construction. All subcontractors/suppliers bidding this project will be prequalified before being allowed to bid ensuring that all bidders are financially stable and technically capable to fulfill the requirements of the project. KBR implemented this prequalification process for the Southwest Virginia Regional Jail Authority and was able to maintain enough qualified workers in all trades in order to staff the three facilities concurrently and will be able to do this again.

The staffing plan will be prepared on an activity basis for the duration of the program. A manpower-loaded Critical Path Method (CPM) schedule will be used for developing the staffing plan. We will continuously monitor the staffing plan against the master schedule and the scope of services and adjust the staffing plan accordingly to increase or decrease manpower. By linking our manpower directly to the master schedule, with regular reviews and updates, we will change staffing levels to best fit program activity. We will take a proactive approach, continuously looking ahead to ensure we can re-deploy staff to ensure the best value for all involved.

- h. *Provide information on any training programs, including but not limited to apprenticeship programs registered with the U.S. Department of Labor or a State Apprenticeship Council, in place for employees of the firm and employees of any member of a consortium of firms.*

KBR is committed to the continued development and training of its employees and believes that the employee and the company have a shared responsibility for career and competency development. KBR recognizes the need to balance short-term needs of the job with the longer-term needs of the individual and the company. Our aim is to improve the competence levels of all levels of KBR employees. Already in 2004, KBR Infrastructure Americas employees have logged more than 2,700 hours of training classes. Every program and course is designed to develop skills and behaviors identified as being critical to present and future business success and to increase and enhance the capability and commitment of KBR employees.

KBR employees have the opportunity to attend a wide variety of course in an effort to expand the breadth and depth of knowledge to all employees. Many professional and career development programs are available through KBR's Human Resource Development (HRD) department.

KBR's progressive and unique training programs are dedicated to enhancing our team as well as creating opportunities for VDOC.

Trained and specialized facilitators conduct development courses such as Team Building, Problem Solving, and Effective Communication throughout the company. Drawing on the internal expertise KBR possesses, our own employees have lead courses on procurement claims management, working with and understanding contracts, planning for project execution, and project completion and close-out in an effort for all employees to understand the full range of issues surrounding our projects. Our employees understand the benefits of both the courses offered internally and the need for ongoing outside training and education throughout their careers.

In 2003 KBR introduced its Mentoring Program which was been developed to offer new professionals a method to assist in career development. Senior staff member act as mentors advising individual Mentees on career development and offering personal guidance. Mentors play an integral role in Mentees' achieved status in their respective fields by guiding them in the process towards receiving their professional certifications and/or registrations. This program aims to provide Mentees with a professional network within KBR

and to foster and develop professional relationships in a social context through a variety of events, such as team building sessions, work lunches/breakfasts, and other similar activities.

At the request of VDOC, KBR will offer a training program to give VDOC employees an opportunity to work alongside our team and develop skills in planning, design, project management, safety implementation, scheduling, estimating, document development and construction management. We welcome discussions to create such opportunities for VDOC.

- i. *Provide information on the level of commitment by the firm or consortium of firms to use Department of Minority Business Enterprise firms in developing and implementing the project.*

KBR has a strong commitment to minority and small business enterprises. Our commitment is directed through the implementation of our Supplier Diversity Plan, overseen by a full-time manager. Paramount to this plan is developing and including suppliers who add value to our company and to the clients we serve. KBR has actively aided in growing minority and small businesses through our Mentor Protégé Program where KBR provide small, minority and woman-owned businesses with added value through educational tools and knowledge. KBR has continually been recognized and awarded by Minority Business Councils, National Women's Business Alliances, Chambers of Commerce and numerous clients. We consistently monitor, refine and create new opportunities for ongoing inclusion of small, minority and woman-owned businesses.

The KBR team will endeavor to maximize the use of minority and disadvantaged firms this VDOC project just as we have in the past.

- j. *For each firm or major subcontractor that will perform construction and/or design activities, provide the following information:*

- (1) *A sworn certification by an authorized representative of the firm attesting to the fact that the firm is not currently debarred or suspended by any federal, state or local government entity.*

Debarment forms for KBR, HSMM, T&L and English Construction are in the Appendix for reference.

- (2) *A completed qualification statement on a form developed by the Commonwealth that reviews all relevant information regarding technical qualifications and capabilities, firm resources and business integrity of the firm, including but not limited to, bonding capacities, insurance coverage and firm equipment.*

The Appendix at the end of this section contains notarized Department of General Services for the Commonwealth of Virginia form 30-168 for KBR and 30-004 for Hayes, Seay, Mattern and Mattern and Thompson and Litton.

- k. *Worker Safety Programs: Describe worker safety training programs, job-site safety programs, accident prevention programs, written safety and health plans, including incident investigation and reporting procedures.*

The KBR team is committed to a safe working environment for all employees and subcontractors. Job site education and affirmation is an important step in ensuring the safest working site. Proper personnel protective equipment (PPE) is always required on the site – no exceptions. And by starting each and every meeting with a relevant and informative Safety Moment, KBR reminds workers that the first thing on everyone's mind should always be safety.

KBR has numerous training programs available for on the job training. One successful program currently in use at the southwest Virginia Regional Jails Project is Total Safety Task Instruction (TSTI). The purpose of TSTI is to ensure that before attempting a new task, the employees are confident of their ability to perform it safely, know the hazards, and most importantly, what steps need to be taken to ensure proper and safe execution. The success in TSTI training is twofold – the training always occurs where the new task will take place, thus presenting the employees real-time training on the job, and the workers are accountable for their actions in executing the task. They are empowered to stop the task if they encounter conditions not covered in their TSTI training. This training was an integral factor in the regional jails, leading to 300,000 hours worked without a lost time incident.

The KBR team has worked 300,000 hours without a lost time incident on the Southwest Virginia Regional Jails, a tribute to our strong safety program.

Accident prevention is paramount in KBR's successful safety record. Management, operations and project personnel take an active role in prevention. KBR employs a dedicated, full-time Health, Safety and Environment (HSE) Director to coordinate meetings and additional programs to support the project safety culture. Evaluating what safety risks there are at a site before those risks can become incidents is a key part in maintaining a safe environment.

"It is a refreshing pleasure to have a team with a commitment to safety such as your team embraces on the Coalfields project. I will become a more safety conscious worker through being in an environment with these individuals." – Julie Smith, VDOT Project Manager.

Incident investigation and reporting takes place immediately. The project manager will draft an incident report as soon as he is notified of the incident, no matter how minor it may appear at the time. Accurate HSE reporting enables KBR to further ensure the goal of an incident-free workplace.

As our experience on the Coalfields Expressway project shows, dedication to safety can also earn real appreciation from existing clients, and help raise their awareness of safety issues. Our team invited Julie Smith, Project Manager for the client, VDOT, to attend a S.A.F.E. training session provided for our employees. Julie

wrote to Randy Harl, KBR President and CEO, to compliment us on our dedication.

A complete copy of the KBR Health, Safety and Environment Policy is available. Standard safety guidelines are established with all subcontractors and included as part of the construction documents. The KBR team will drive the concept and assist in maintaining a culture that says Safety First.

2. Project Characteristics

- a. *Provide a description of the project, including the conceptual design. Describe the proposed project in sufficient detail so that type and intent of the project, the location, and the communities that may be affected are clearly identified.*

The proposed Medium Security Correctional Facilities design has been developed to address not only current, but also future correctional needs for the Virginia Department of Corrections. We propose two facilities, which may house up to 1,552 inmates each. If VDOC requires a phased approach, these plans can be adapted to initially house 1,040 which expansion capacity up to 1,552 inmates. One of the facilities includes an additional 200 beds in a collocated work camp facility.

Our design of these facilities includes those features necessary to support correctional operations such as industrial space for Virginia Correctional Enterprises, classroom and training spaces for Department of Correctional Education, counseling, medical, recreation and visitation.

The proposed facilities have been configured to be deliberately compact and adaptable in location in consideration of available terrain in the Mount Rogers Planning District (Bland, Carroll, Grayson, Smyth, Washington and Wythe Counties, and the cities of Bristol and Galax) as well as Charlotte County. The flexible concept was developed to minimize environmental impact as well as minimize earthwork.

Details of the design and location are in the proprietary piece of this proposal.

- b. *Identify and fully describe any work to be performed by the public entity.*

The roles and responsibilities within the KBR team's partnership with VDOC will be clearly identified upon kickoff of the development program. At this conceptual stage, we envision the responsibilities of VDOC to include, but not be limited to the following:

- Site selection - The VDOC shall review and approve the final site that is selected.
- Appointment of a VDOC representative for the project - This person will be on-site full time to represent the VDOC in matters relative to the project.
- Design approval – VDOC will review and approve the plans and specifications throughout the stages of the design process.
- Monitor schedule – The KBR team will provide a comprehensive construction schedule after a contract is executed. VDOC will review and approve the schedule, and monitor the schedule and progress and require periodic updates from the KBR team.
- Review and approval of subcontractor payment authorizations – VDOC will be able to monitor and approve subcontractors' payments.
- Acceptance of the work – Once the program is complete, the DOC has the authority to accept the work and receive a complete as-built set of plans and specifications.

- c. *Include a list of all federal, state and local permits and approvals required for the project and a schedule for obtaining such permits and approvals.*

The following are state and federal codes and regulations anticipated for the project. Many of the permit applications, and associated reviews, would commence early in the design process in coordinated lead of construction sequences and occupancy.

Permitting/Regulatory Agency - Permit Item	Approximate Schedule/Duration
VDOT – entrance permit for access onto an existing state road.	2 to 4 weeks
VDH (Virginia Department of Health) for: <ul style="list-style-type: none"> • Permits relating to potable water and wells. • Permit relating to food service / kitchen. 	6 months 6 weeks
VDEQ (Virginia Department of Environmental Quality) for permits related to wastewater treatment and pumping	11 months
VDCR (Virginia Department of Conservation & Recreation) for storm-water management and erosion & sediment control.	8 weeks
Grayson County – grading permit and building permit	2 to 4 weeks
Virginia Uniform Statewide Building Code (Building Permit and Code Compliance)	5 weeks for VDOC / BCOM review and County building official.
Depending on the environmental impacts (streams, rivers, wetlands), permits might be needed from the USACOE (Corps of Engineers), VMRC (Virginia Marine Resources Commission), and VDGIF (Virginia Department of Game and Inland Fisheries). The Corps is usually only interested in wetlands impacts and impacts to "waters of the US" (any blue line stream on a USGS quad map). VMRC usually is looking at impacts to streams with drainage areas larger than 5 square miles. VDGIF is looking at "in-stream" work that affects fish. If wetlands are to be disturbed, then a "Joint Permit" can be applied for that is reviewed by the Corps and VMRC simultaneously.	4 to 6 months (USACE/VDGIF joint permit for wetlands disturbance)

- d. *Identify any anticipated adverse social, economic and environmental impacts of the project. Specify the strategies or actions to mitigate known impacts of the project. Indicate if environmental and archaeological assessments have been completed.*

The assembled team has successfully dealt with the various impacts that siting a correctional facility entails. Handling public perception is very important when bringing a corrections facility into an area. KBR and the team are committed to securing any doubts concerning adverse impacts of all manners. Throughout the process, the team is committed to working with the VDOC to ensure any impact is positive. Our team has successfully addressed the community concerns on past developmental projects such as the Coalfields Expressway where we are working with the state through an ongoing process of public meetings. Our team understands the importance of these meetings referenced in the Virginia Code Section 53 and is eager to assist in facilitating them for this project. Reaching out to the citizens of Southwestern Virginia comes naturally to our team as we have demonstrated in our past projects. Residents near the facility need to feel safe and our team best understands those needs and can work with the VOC to respond to any concerns throughout the entire process. Our familiarity with the region gives our team the best position to build on the already established trust of the residents of the region and continue to work together to their benefit.

At the Red Onion Mountain facility, the KBR team maximized local contractors, reaching 85% local participation while creating 400 permanent jobs in the area.

Correctional facilities have been proven to make a positive impact on the local economies in which they are built. The US Department of Justice cites the greatest positive impact occurring in facilities located in less urban areas. Our team has worked hard in the past to ensure that the local economy is bettered during the project and on into the future. On the Red Onion Mountain Maximum Security Facility project, more than 400 permanent jobs were created. Working with the Virginia Employment Commission, KBR conducted job fairs and contracted 85% of the workers from the area. For our project with Hampton Roads Regional Jails, we were able to reach 90% local service participation. We anticipate utilizing job fairs to again make a sustained positive impact on southwest Virginia. Our team also plans to meet continually with representatives of local area Chambers of Commerce, Economic Development Authorities and Planning Districts to ensure we are continuing to provide the best economic solutions for the region.

The KBR team is sensitive to the environmental impacts any new facility can cause. All members of our team have worked on previous projects dealing with complex environmental issues including wetland mitigation, complex site adaptation and proximity to National and State Parks. Each time, our team has taken the care and concern to understand those issues and, working with local participants, taken the best path forward. The environmental concerns of the southwest Virginia region are distinctive and require proper attention. Based on our extensive experience serving the region, we are aware of the issues and know how they are best addressed.

e. Identify the projected positive social, economic and environmental impacts of the project.

The impact of a correctional facility built in the region would be both positive and sustainable. As evident in our recent experience with the Southwest Regional Jails project, the processes our team utilizes can create both a quality project and quality employment for local residents. The immediate demand on the current workforce will be evident with the need for architects, contractors and day laborers as the project begins. The sudden need for jobs will automatically boost the local and regional economy, drawing from the qualified local and regional population for workers, while stimulating needed job growth. Because of our vast knowledge of the region, our team knows there are qualified businesses and individuals that are capable of contributing to this project. As mentioned above, our Red Onion facility is a prime example of the lasting economic benefit our team can have on the region. By keeping the public involved through our meetings and communication, the local residents become interested stakeholders and in turn energized as a community for a successful project.

The environment will be impacted by the overall economic growth in the region, stemming from this project. Monies from increased revenues can be freed for direction to necessary environmental projects. The work camp proposed on the site will allow for inmates to perform roadside trash clean-up, further beautifying the region.

f. Identify the proposed schedule for the work on the project, including the estimated time for completion.

The proposed schedule is flexible and adaptable to VDOC's needs. A detailed schedule is located in the proprietary piece of this proposal.

g. Identify contingency plans for addressing public needs in the event that all or some of the project is not completed according to projected schedule.

We anticipate that the project will complete on schedule, if not ahead of time. Our public involvement strategy, detailed in Section 4, ensures that the KBR team keeps the public informed from site selection to



completion. This includes assessing, addressing and meeting public needs and communicating project progress and schedule.

- h. *Propose allocation of risk and liability for work completed beyond the agreement's completion date, and assurances for timely completion of the project.*

A primary management focus will be on management of risk. Those individual team members who are in the best position to manage those risks will be empowered to do so through teaming contracts that allocate risks, specify roles, responsibilities, authorities, and decision rights.

This mission of our partnership with VDOC is to deliver these facilities on or before the agreed completion date. Our approach to management incorporates lessons learned from recent projects. The KBR team's development program management approach minimizes risk by combining the experience, wisdom, creativity or engineering skills of each member of our team and applying it to delivering a successful project on time.

KBR is fully prepared to respond to VDOC's requests for reports and updates on all milestones, including constructability and design reviews, claims analysis, schedule analysis, field inspection, and testing to ensure that the project is on track and commitments are met.

Depending on the level of work assigned and the needs of VDOC, status reports and meetings can be provided daily, weekly, or on any schedule that is desired. Periodic and final reports of construction progress and renovation projects, to include design issues, construction issues, schedule status, budget update, and all other relevant topics can be prepared to meet VDOC's needs and demonstrate our commitment to VDOC.

The KBR team will implement state-of-the-art technology for on-site personnel, increasing efficiency, accuracy, convenience and productivity.

KBR has developed a new technology which offers multiple benefits to on-site field personnel and inspectors. The pilot use of this technology was started in mid-June 2004 at our Cape Coral Utilities Expansion Project in Florida. As a result, that project has already experienced increases in efficiency, accuracy, convenience and productivity. This technology will be ready for roll-out to other projects by the middle of 2005, in time to apply its benefits to the addition of facilities for VDOC in southwest Virginia.

- i. *State assumptions related to ownership, legal liability, law enforcement and operation of the project and the existence of any restrictions on the public entity's use of the project.*

The facilities will be owned by the Commonwealth of Virginia, and all legal liability, law enforcement and operations of the facilities will be the responsibility of the Virginia Department of Corrections. We are not aware of any known restrictions on VDOC for the use of these facilities.

- j. *Provide information relative to phased or partial openings of the proposed project prior to completion of the entire work*

To facilitate the VDOC facility master plan and inmate capacity needs, our solution offers flexible options for a phased approach. In our partnership with VDOC, our team will work together to implement a strategy that meets VDOC's needs. Phasing options are detailed in the proprietary section of this proposal.





3. Project Financing

This confidential information is contained in a separate binder.



4. Project Benefit and Compatibility

- a. *Identify community benefits, including the economic impact the project will have on the Commonwealth and local community in terms of amount of tax revenue to be generated for the Commonwealth and political subdivisions, the number jobs generated for Virginia residents and level of pay and fringe benefits of such jobs, the training opportunities for apprenticeships and other training programs generated by the project and the number and value of subcontracts generated for Virginia subcontractors.*

The Medium Security Correctional Facilities will be an economic asset for the area in which it will service. This project can be viewed as an opportunity to jump start the economic engine in southwest Virginia, as it will provide hundreds of job opportunities for a multi-county area. Our strategy to benefit the area focuses on the intersection between community relations, needs of the development and construction program, and VDOC's goals.

As noted in Section 2, correctional facilities have been proven to make a positive impact on local economies, particularly in less urban areas. This program will create jobs in the design and construction of the facilities as well as permanent jobs in operations and other requirements of the facilities. In addition, this program presents unique opportunities for local business to grow with their involvement. Additional jobs and business growth lower the unemployment rate in the area and mean additional tax revenue for the state.

We plan to maximize the use of local subcontractors in the implementation of this program, as we did on the Southwest Virginia Regional Jails, Red Onion Mountain facility, New River Regional Jail, and other corrections projects in Virginia. Our track record proves the positive effect correctional facilities can have on local communities by creating jobs and utilizing local businesses in our efforts.

The KBR team has utilized local contractors for everything from signage to office supplies to building materials at all three sites for the Southwest Virginia Regional Jails project, as well as employing over 90 local workers in the month of August alone.

The KBR team is dedicated to establishing a base in which to employ staff for the facility. We realize that in order to plan, build and operate the facility, a pool of qualified applicants will be needed: construction workers, plumbers, electricians, administrative staff, correctional officers, health care providers and other personnel. Several of the regional school consortiums have established curriculums that can fill some of the newly created job opportunities. For instance, the Crossroads Educational Consortium offers cooperative Technical and Criminal Justice programs. The Criminal Justice program includes careers for correctional, probation and parole officers, bail bond providers, security guards etc. To address the recent growth and development in the area, the Crossroads also designed a Building Trades program which focuses on basic building skills for the student interested in technical careers. The consortium encourages the development of partnerships within business community. Our team can build a relationship with the Consortium as another source to fill employment opportunities.

Our team also plans to meet continually with representatives of local area Chambers of Commerce, Economic Development Authorities and Planning Districts to ensure we are continuing to provide the best economic solutions and community benefits for the region.

- b. *Identify any anticipated public support or opposition, as well as any anticipated government support or opposition, for the project;*

Public and government support will be instrumental in the successful development and completion of this program.

Community acceptance and cooperation are vital ingredients to successful facility siting, building, and operations. The first step in obtaining public support is initiating and implementing a proactive public involvement plan. This plan and strategy is outlined in part c of this section. Keeping the public informed with full knowledge of the facilities and the plan for benefiting the community is essential in obtaining public support and dispelling any concerns. We anticipate that through our proven public involvement plan as well as the economic benefits of new jobs and business, we will obtain full support from the public.

The KBR team's partnership with VDOC will allow for maximizing the benefits of PPEA legislation. Because the need for new facilities is a changing need, our flexible plan not only anticipates, but also plans for future capacity needs. This allows for future VDOC growth with the confidence in our partnership and without the expense of additional procurement processes. Our plan allows for a fast-track design-build schedule which potentially reduces delivery schedule by up to and over 50%. An additional major benefit of this program is that it shifts the risk off of VDOC and on to the KBR team. Our partnership will allow for providing additional facility capacity without adverse impact to state budgets.

We look forward to full support from VDOC in developing an ideal public-private partnership and the opportunity to provide correctional facility solutions for VDOC.

- c. *Explain the strategy and plan that will be carried out to involve and inform the general public, business community, local governments, and governmental agencies in areas affected by the project;*

To gain public support of the proposed facilities, we as a partnership need to involve the public in all stages of the development program – from site selection to completion.

Our team will use a proactive approach by creating a public involvement program. Prior to final site decision, we will assess the anticipated public response. The success of this program will depend upon full public involvement. We intend to be a full partner with VDOC in disseminating information to affected citizens and to build public support for this plan. To accomplish this, we will implement a comprehensive public involvement plan. Our vision is to keep the community informed every step of the way so that impacts are minimized and opportunities (employment, supply, contract participation) are maximized.

The KBR team has initiated public involvement programs in southwest Virginia with great success to inform the public throughout the program. Working with members of the local and regional press, we will build on this performance – via brochures, newsletters and meetings – to keep the public and business community informed.

As part of our program, the KBR team intends to have an outreach strategy that actively works in the affected community to proactively address concerns about the new facilities and listen to public comments. To minimize any possible opposition, we must work towards public trust. Communication, both formal and informal, is a significant factor in building public confidence in the credibility and trustworthiness of our efforts. Frequent communication with the public and local officials is key.



The program will target a multi-level communication outreach targeted to a range of involvement from individuals, to neighborhood associations to contractors. The first level will begin with the establishment of a task force to include representatives from the planning district, a small group of residents, and business owners to establish a starting point and identify the most pertinent issues. We will then determine the level of involvement needed in subsequent phases of the project. The task force will remain intact until the project is complete. Programs may include the establishment of a website for up-to-date information, a hotline for messages and concerns and various kiosk located throughout the region.

Our team has a history of facilitating public comment and input on correction projects in Virginia. By implementing a strategy consisting of our best practices learned through years of experience, our public involvement process will be both substantive and meaningful. We envision the public comment and hearing process commencing as soon as possible.

During the Coalfields Expressway public hearing process, the local consolidated school generously allowed the KBR team to hold public hearings in its facility. In return, the KBR team donated 15 refurbished laptop computers and a digital camera to the school, helping to meet the school's needs as an added contribution to the community.

We will establish a comprehensive communications program using the following tools to ensure maximum contact with the public:

- Public meetings
- Employment / contractor opportunity fairs
- Newsletters
- Web site
- Mail, e-mail and fax lists
- Media communications
- Public outreach

Our team has developed and implemented effective programs of this type in public-private partnerships in southwest Virginia. We look to VDOC to be our full partner in these efforts, benefiting from our first-hand knowledge, and working in full cooperation to keep citizens informed and educated about the project.

- d. *Describe the anticipated significant benefits to the community, region or state including anticipated benefits to the economic condition of the public entity and whether the project is critical to attracting or maintaining competitive industries and businesses to the public entity or the surrounding regions.*

Our team anticipates that there will be an immediate benefit to the local community and region promptly after the decision is made to move forward on the project. Significant impacts will occur within the beginning phase of planning, as property for the facility is identified and purchased. Additionally, as facility planning and construction begins local contractors will begin the hiring process.

Initial jobs will include architectural design, planning, plumbing, electrical and water expertise. KBR has a successful track record in planning and executing job fairs for facilities of this type in the State of Virginia. The KBR team in conjunction with the local and region Chambers of Commerce will plan and hold a job fair for the local and regional residents to fill available positions during the planning and construction of the facility. Additionally, as the construction of the facility nears completion, the KBR team will hold a second job fair for correction staff.





Medium Security Correctional Facilities

- e. *Describe the compatibility with the local comprehensive plan, local infrastructure development plans, and any capital improvements budget or other government spending plan.*

The KBR team is aware of the regional communities' plans because we are members of and contributors to the community and are affected by those plans. The KBR team will ensure compatibility is reached with local and regional plans, budgets and/or other spending plans. We have worked hand in hand with planning districts and associated counties in the past to ensure our planning efforts are compatible and of maximum benefit and anticipate continuing to do so with the same positive results.





Appendix A



PART I. FINANCIAL INFORMATIONItem 1. Financial StatementsHALLIBURTON
COMPANYCondensed Consolidated Statements of Operations(Unaudited)(Millions of
dollars and shares except per share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Revenues:				
Services	\$ 4,448	\$ 3,106	\$ 9,484	\$ 5,735
Product sales	515	476	1,006	924
Equity in earnings (losses) of unconsolidated affiliates	(7)	17	(15)	-
Total revenues	4,956	3,599	10,475	6,659
Operating costs and expenses:				
Cost of services	4,442	3,050	9,237	5,504
Cost of sales	462	425	915	829
General and administrative	78	80	174	161
Gain on sale of business assets, net	-	(27)	-	(48)
Total operating costs and expenses	4,982	3,528	10,326	6,446
Operating income (loss)	(26)	71	149	213
Interest expense	(53)	(25)	(109)	(52)
Interest income	7	7	17	15
Foreign currency gains (losses), net	(7)	19	(10)	13
Other, net	(1)	2	4	2
Income (loss) from continuing operations before income taxes, minority interest, and change in accounting principle	(80)	74	51	191
(Provision) benefit for income taxes	29	(29)	(20)	(79)
Minority interest in net income of subsidiaries	(7)	(3)	(13)	(11)
Income (loss) from continuing operations before change in accounting principle	(58)	42	18	101
Loss from discontinued operations, net of tax benefit of \$87, \$26, \$146 and \$30	(609)	(16)	(750)	(24)
Cumulative effect of change in accounting principle, net of tax benefit of \$5	-	-	-	(8)
Net income (loss)	\$ (667)	\$ 26	\$ (732)	\$ 69
Basic income (loss) per share:				
Income (loss) from continuing operations before change in accounting principle	\$ (0.13)	\$ 0.09	\$ 0.04	\$ 0.23
Loss from discontinued operations, net	(1.39)	(0.03)	(1.71)	(0.05)
Cumulative effect of change in accounting principle, net	-	-	-	(0.02)
Net income (loss)	\$ (1.52)	\$ 0.06	\$ (1.67)	\$ 0.16
Diluted income (loss) per share:				
Income (loss) from continuing operations before change in accounting principle	\$ (0.13)	\$ 0.09	\$ 0.04	\$ 0.23
Loss from discontinued operations, net	(1.39)	(0.03)	(1.71)	(0.05)
Cumulative effect of change in accounting principle, net	-	-	-	(0.02)
Net income (loss)	\$ (1.52)	\$ 0.06	\$ (1.67)	\$ 0.16
Cash dividends per share	\$ 0.125	\$ 0.125	\$ 0.25	\$ 0.25
Basic weighted average common shares outstanding	437	434	437	434
Diluted weighted average common shares outstanding	437	436	440	436

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY Condensed Consolidated Balance Sheets (Unaudited) (Millions of dollars and shares except per share data)

	June 30 2004	December 31 2003
Assets		
Current assets:		
Cash and equivalents	\$ 2,230	\$ 1,815
Receivables:		
Notes and accounts receivable	3,223	2,909
Unbilled work on uncompleted contracts	1,572	1,760
Insurance for asbestos- and silica-related liabilities	981	96
Total receivables	5,776	4,765
Inventories	741	695
Current deferred income taxes	273	188
Other current assets	511	456
Total current assets	9,531	7,919
Property, plant, and equipment, net of accumulated depreciation of \$3,624 and \$3,540	2,564	2,526
Goodwill	793	670
Noncurrent deferred income taxes	774	738
Equity in and advances to related companies	476	579
Insurance for asbestos- and silica-related liabilities	468	2,038
Other assets	913	993
Total assets	\$ 15,519	\$ 15,463
Liabilities and Shareholders' Equity		
Current liabilities:		
Asbestos- and silica-related liabilities	\$ 2,399	\$ 2,507
Accounts payable	2,087	1,776
Advance billings on uncompleted contracts	747	741
Accrued employee compensation and benefits	482	400
Reserve for estimated loss on uncompleted contracts	403	225
Income taxes payable	116	236
Deferred revenues	101	104
Current maturities of long-term debt	50	22
Other current liabilities	448	531
Total current liabilities	6,833	6,542
Long-term debt	3,900	3,415
Asbestos- and silica-related liabilities	1,754	1,579
Employee compensation and benefits	787	801
Other liabilities	393	479
Total liabilities	13,667	12,816
Minority interest in consolidated subsidiaries	116	100
Shareholders' equity:		
Common shares, par value \$2.50 per share - authorized 1,000 and 600 shares, issued 457	1,143	1,142
Paid-in capital in excess of par value	267	273
Deferred compensation	(81)	(64)
Accumulated other comprehensive income	(307)	(298)
Retained earnings	1,229	2,071
Less 17 and 18 shares of treasury stock, at cost	2,251	3,124
	515	577
Total shareholders' equity	1,736	2,547
Total liabilities and shareholders' equity	\$ 15,519	\$ 15,463

See notes to condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31

(Millions of dollars and shares except per share data)

	2002	2001	2000
REVENUES:			
Services	\$10,658	\$10,940	\$10,185
Product sales	1,840	1,999	1,671
Equity in earnings of unconsolidated affiliates	74	107	88
Total revenues	\$12,572	\$13,046	\$11,944
OPERATING COSTS AND EXPENSES:			
Cost of services	\$10,737	\$ 9,831	\$ 9,755
Cost of sales	1,642	1,744	1,463
General and administrative	335	387	352
Gain on sale of marine vessels	—	—	(88)
Gain on sale of business assets	(30)	—	—
Total operating costs and expenses	\$12,684	\$11,962	\$11,482
OPERATING INCOME (LOSS)	(112)	1,084	462
Interest expense	(113)	(147)	(146)
Interest income	32	27	25
Foreign currency losses, net	(25)	(10)	(5)
Other, net	(10)	—	(1)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, MINORITY INTEREST, AND CHANGE IN ACCOUNTING METHOD, NET	(228)	954	335
Provision for income taxes	(80)	(384)	(129)
Minority interest in net income of subsidiaries	(38)	(19)	(18)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE CHANGE IN ACCOUNTING METHOD, NET	(346)	551	188
DISCONTINUED OPERATIONS:			
Income (loss) from discontinued operations, net of tax (provision) benefit of \$154, \$20, and (\$60)	(652)	(42)	98
Gain on disposal of discontinued operations, net of tax provision of \$0, \$199, and \$141	—	299	215
Income (loss) from discontinued operations, net	(652)	257	313
Cumulative effect of change in accounting method, net	—	1	—
NET INCOME (LOSS)	\$ (998)	\$ 809	\$ 501
BASIC INCOME (LOSS) PER SHARE:			
Income (loss) from continuing operations before change in accounting method, net	\$ (0.80)	\$ 1.29	\$ 0.42
Income (loss) from discontinued operations	(1.51)	(0.10)	0.22
Gain on disposal of discontinued operations	—	0.70	0.49
Net income (loss)	\$ (2.31)	\$ 1.89	\$ 1.13
DILUTED INCOME (LOSS) PER SHARE:			
Income (loss) from continuing operations before change in accounting method, net	\$ (0.80)	\$ 1.28	\$ 0.42
Income (loss) from discontinued operations	(1.51)	(0.10)	0.22
Gain on disposal of discontinued operations	—	0.70	0.48
Net income (loss)	\$ (2.31)	\$ 1.88	\$ 1.12
Basic average common shares outstanding	432	428	442
Diluted average common shares outstanding	432	430	446

See notes to annual financial statements.

CONSOLIDATED BALANCE SHEETS

December 31		
(Millions of dollars and shares except per share data)	2002	2001
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	\$ 1,107	\$ 290
Receivables:		
Notes and accounts receivable (less allowance for bad debts of \$157 and \$131)	2,533	3,015
Unbilled work on uncompleted contracts	724	1,080
TOTAL RECEIVABLES	3,257	4,095
Inventories	734	787
Current deferred income taxes	200	154
Other current assets	262	247
TOTAL CURRENT ASSETS	5,560	5,573
Net property, plant and equipment	2,629	2,669
Equity in and advances to related companies	413	551
Goodwill	723	720
Noncurrent deferred income taxes	607	410
Insurance for asbestos and silica related liabilities	2,059	612
Other assets	853	431
TOTAL ASSETS	\$12,844	\$10,966
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term notes payable	\$ 49	\$ 44
Current maturities of long-term debt	295	81
Accounts payable	1,077	917
Accrued employee compensation and benefits	370	357
Advance billings on uncompleted contracts	641	611
Deferred revenues	100	99
Income taxes payable	148	194
Other current liabilities	592	605
TOTAL CURRENT LIABILITIES	3,272	2,908
Long-term debt	1,181	1,403
Employee compensation and benefits	756	570
Asbestos and silica related liabilities	3,425	737
Other liabilities	581	555
Minority interest in consolidated subsidiaries	71	41
TOTAL LIABILITIES	9,286	6,214
SHAREHOLDERS' EQUITY:		
Common shares, par value \$2.50 per share – authorized 600 shares, issued 456 and 455 shares	1,141	1,138
Paid-in capital in excess of par value	293	298
Deferred compensation	(75)	(87)
Accumulated other comprehensive income	(281)	(236)
Retained earnings	3,110	4,327
	4,188	5,440
Less 20 and 21 shares of treasury stock, at cost	630	688
TOTAL SHAREHOLDERS' EQUITY	3,558	4,752
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$12,844	\$10,966

See notes to annual financial statements.

COMMONWEALTH OF VIRGINIA

STANDARD FORM

FOR

CONTRACTOR'S STATEMENT

OF QUALIFICATIONS

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II Bonding

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CONTRACTOR'S STATEMENT OF QUALIFICATIONS

I. General Information

1. Submitted to (agency): Virginia Department of Corrections

Address: 6900 Atmore Drive, Richmond, Virginia 23225

2. Name of Project (if applicable): PPEA Phase 1

3. Type of work you wish to qualify for:

☒ General Construction

☐ Mechanical

☐ Electrical

☐ Other

Specify: **Engineering/Construction Management**

4. Contractor's Name: Kellogg Brown and Root, Inc.

Mailing Address: **9 South 12th Street, Suite 300, Richmond, VA, 23218**

Telephone Number: **(804) 225-5834**

Facsimile Number: **(804) 643-4490**

Contact Person: **Ben Hudson, East Region Vice President**

Contact Person Phone Number: **(804) 225-5833**

State Contractor's License Number: **2701 038540A**

Designated Employee Registered with the Virginia Board for Contractors: **N/A**

General Information (continued)

5. Check type of organization:

Corporation	<u> X </u>	Partnership
Individual	<u> </u>	Joint Venture
Other		

6. If a corporation -

State of Incorporation: **Delaware**Date of Incorporation: **July 17, 1989**Federal I.D. #: **76-0284788**

<u>Officers</u>	<u>Name</u>	<u>Years in Position</u>
President:	Andy Lane	2
Vice President:	Andrew Fletcher, KBR Infrastructure	2
Secretary:	Maura Dunn, Chief Operating Officer, KBR Infrastructure	2
Treasurer:	Ron Thomas, Director Finance and Accounting, KBR Infrastructure	13

Are you a Subchapter S Corporation? Yes No X

7. If a partnership -

Date organized:

Type of partnership:

List of General Partners:

<u>Name</u>	<u>Phone #</u>	<u>Years as G.P.</u>
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8. If individually owned -

Years in Business:

General Information (continued)

9. Have you ever operated under another name? Yes X No

If yes -

Other name: **Brown and Root, Inc.**

Number of years in business under this name: **80**

State license number under this name: **2701 038540A**

II. Bonding

Please have your Bonding Company execute a statement similar to the one at Attachment 1 and attach the completed and signed statement as Attachment 2 to this completed G.S.Form E&B CO-16

Due to the lack of detailed information pertaining to the construction phase of this project, KBR is unable to approach the surety market to obtain a commitment for surety at this time. It is KBR's intent to acquire the required surety bond in accordance with the negotiated contract terms and conditions.

1. Bonding Company's name:
Address:

**Arch Insurance Company
3100 Broadway
Kansas City, MO 64111**

Representative (Attorney-in-fact):
Angela M. Tindol

2. Is the Bonding Company listed on the United States Department of the Treasury list of acceptable surety corporations?

Yes X No

3. Is the Bonding Company licensed to transact fidelity and surety business in the Commonwealth of Virginia?

Yes X No

III. Judgments

In the last ten years, has your organization, or any officer, director, partner or owner, had judgments entered against it or them for the breach of contracts for construction?

Yes _____ No **X**

If yes, please on a separate attachment, state the person or entity against whom the judgment was entered, give the location and date of the judgment, describe the project involved, and explain the circumstances relating to the judgment, including the names, addresses and phone numbers of persons who might be contacted for additional information.

IV. Convictions and Debarment

If you answer yes to any of the following, please on a separate attachment, state the person or entity against whom the conviction or debarment was entered, give the location and date of the conviction or debarment, describe the project involved, and explain the circumstances relating to the conviction or debarment, including the names, addresses and phone numbers of persons who might be contacted for additional information.

1. In the last ten years, has your organization or any officer, director, partner, owner, project manager, procurement manager or chief financial officer of your organization:
 - a. ever been fined or adjudicated of having failed to abate a citation for building code violations by a court or local building code appeals board?
Yes _____ No **X**
 - b. ever been found guilty on charges relating to conflicts of interest?
Yes _____ No **X**
 - c. ever been convicted on criminal charges relating to contracting, construction , bidding, bid rigging or bribery?
Yes _____ No **X**
 - d. ever been convicted: (i) under Va. Code Section 2.2-4367 et seq. (Ethics in Public Contracting); (ii) under Va. Code Section 18.2-498.1 et seq. (Va. Governmental Frauds Act); (iii) under Va. Code Section 59.1-68.6 et seq. (Conspiracy to Rig Bids); (iv) of a criminal violation of Va. Code Section 40.1-49.4 (enforcement of occupational safety and health standards); or (v) of violating any substantially similar federal law or law of another state?
Yes _____ No **X**
2. Is your organization or any officer, director, partner or owner currently debarred from doing federal, state or local government work for any reason?
Yes _____ No **X**

V. Compliance-

If you answer yes to any of the following, please on a separate attachment give the date of the termination order, or payment, describe the project involved, and explain the circumstances relating to same, including the names, addresses and phone numbers of persons who might be contacted for additional information.

1. Has your organization:
 - a. ever been terminated on a contract for cause?
Yes _____ No **X**
 - b. within the last five years, made payment of actual and/or liquidated damages for failure to complete a project by the contracted date?
Yes **X** No _____

Press release attached.

2. Has your organization, in the last three years, received a final order for willful and/or repeated violation(s) for failure to abate issued by the United States Occupational Safety and Health Administration or by the Virginia Department of Labor and Industry or any other government agency?
Yes _____ No **X**
3. Have any Performance or Payment Bond claims ever been paid by any surety on behalf of your organization?
Yes _____ No **X**

VI. Experience-

If your organization has multiple offices, provide the following information for the office that would handle projects under this prequalification. If that office has limited history, list its experience first.

1. Attach a list of all projects, giving address, size and dollar value for each, that your organization has **completed** in the last five years. Provide for each, the name, address, and phone number, for the Owner's and Architect's contact or representative.
2. Attach a list of your organization's projects **in progress**, if any, at the time of this statement. At a minimum, provide project names and addresses, contract amounts, percentages complete and contact names and numbers for the architects and owners.
3. If this statement is for a particular project, identify three projects from those identified in 1 and 2 above which are most relevant or similar to the project(s) for which you are seeking prequalification.

KBR is an engineering and construction company with worldwide operations. As such, we have attached the most applicable projects to support our statement of qualifications for this conceptual proposal. Upon request, we will supplement this

information if necessary. Please see attached matrix with projects completed in the past 5 years and ongoing projects.

The three projects most similar to the Medium Security Correctional Facilities for which we are proposing are the following:

- **Southwest Virginia Regional Jails**
- **New River Valley Jails**
- **Red Onion Mountain Maximum Security Facility**

Supporting project information is in Section 5 of this document, and supporting project profiles are in Appendix B of this binder.

4. Describe how your firm would staff this project:

The staffing plan will be prepared on an activity basis for the duration of the program. A manpower-loaded Critical Path Method (CPM) schedule will be used for developing the staffing plan. We will continuously monitor the staffing plan against the master schedule and the scope of services and adjust the staffing plan accordingly to increase or decrease manpower. By linking our manpower directly to the master schedule, with regular reviews and updates, we will change staffing levels to best fit program activity. We will take a proactive approach, continuously looking ahead to ensure we can re-deploy staff to ensure the best value for all involved.

In areas where we project a shortage of trades, we would offer a job fair to make sure individuals and small, disadvantaged and local businesses are aware of contracting opportunities throughout the project. This delivers additional benefit to the community, opening up employment opportunities.

All subcontractors/suppliers bidding this project will be prequalified before being allowed to bid ensuring that all bidders are financially stable and technically capable to fulfill the requirements of the project.

5. Provide, as an attachment, a brief resume for the project manager and the superintendent most likely to be assigned to this project. Describe, for each, the background and experience that would qualify him or her to be a project manager or superintendent. Include in the resumes at least three (3) similar or comparable projects on which the proposed project manager and superintendent have served in that capacity or positions of similar or comparable responsibility within the last five years and the names, addresses and phone numbers of the Owner's and Architect's contact person for each.

Resumes for Ben Hudson, Project Sponsor, John Lemley, Project Manager and Ron White, Superintendent are attached. Comparable projects are detailed.

Similar projects information:

Southwest Virginia Regional Jail Abingdon, Duffield, Haysi, VA	Design-build of three multi-jurisdictional jails to serve Southwest Virginia. The facilities each include inmate housing area, administration areas, kitchen, dining, medical, visitation, laundry, recreational, conveyance and clerical court areas. The facilities will house up to 780 inmates with an expansion capacity up to 1,171 beds, from minimum to maximum security housing classifications. Size: 358,748 SF Installed Cost: \$68 million Project Complete: 2005	Lee Noble Southwest Virginia Regional Jail Authority 276-623-0025 Thompson & Litton Architect, Bill Thompson (276) 328-2161
New River Valley Regional Jail Dublin, VA	Fast-track project. First project construction under the auspices of Virginia's Design/Build/CM review board. Regional jail in compliance with the accreditation standards of the Virginia Department of Corrections. Scope: Construction Management Size: 139,700 SF Installed Cost: \$25 million Project Complete: 1999	Bob Lloyd, Chairman New River Valley Regional Jail Authority 540-731-3603 Ralph Dobbins Thompson & Litton Architect, Bill Thompson (276) 328-2161
Red Onion Mountain Maximum Security Facility Pound, VA	Maximum Security Facility includes construction of 704 precast cell housing units, medical facilities, kitchen/dining areas, segregation and other support functions. Double perimeter fencing complemented by an interior computerized security system. Completed ahead of schedule and under budget. Size: 540,000 SF Installed Cost: \$68 million Project Complete: 1998	William Ralston, Assistant Program Director Virginia Department of Corrections 804-674-3102 Thompson & Litton Architect, Bill Thompson (276) 328-2161

VII. Signatures

The undersigned certifies under oath that the information contained in this Statement of Qualifications and attachments hereto is complete, true and correct as of the date of this Statement.

(name of entity submitting this Statement of Qualifications)

By: Name of Signer (print) WILLIAM B HUDSON

William B Hudson
Signature

Title: VICE PRESIDENT EASTERN REGION

Date: SEPTEMBER 22, 2004

Notary

State of Virginia

County/City of Richmond

Subscribed and sworn to before me this 22 day of Sept. 2004.

199

Francis Cadiz
Notary Public Signature

My Commission Expires October 31, 2007

My commission expires: _____

Notary Seal:

Attachments:

1. Owner's Qualification Criteria
2. Surety Statement
3. Additional information, if any, provided under Sections III, IV, V
4. Additional information provided under Section VI

Project Name and Location	Owner Name and Address	Cost of Work (in thousands)	Completion Date (Actual or Estimated)
Coalfields Expressway Design-build-finance of 51-mile highway in the mountains of Southwest Virginia. Virginia, USA	Virginia Department of Transportation 2430 Pine Forest Drive Colonial Heights, VA 23834	\$1,500,000	2016
Rice University Building Projects PM/CM services for new Wiess College, Martel College and Dell Butcher Hall Houston, TX	Rice University 6100 Main Street Houston, TX 77005	\$117,219	2002
Department of State Security Upgrade Projects Fast-track A/E survey, design, construction, installation and program management services for security improvements at embassies around the world. Worldwide	Department of State A/LM/AQM/RAD, Room L-600 P.O. Box 12248 Rosslyn Station, Arlington 22209	\$150,000	2002
Security Access/Security Surveillance System Needs analysis, site survey, design, procurement assistance and installation. Philadelphia Airport, Philadelphia, PA.	City of Philadelphia Division of Aviation, PHL Terminal #2, Second Floor Philadelphia, PA 19153	\$5,000	2002
NASA Goddard Space Flight Center JOC I Operations management, construction management, construction services at Four Sites. Greenbelt, MD	NASA Goddard Space Flight Center, Bldg. 17, 1st Floor Greenbelt, MD 20771	\$100,000	2002
ICD Contract for Engineering Services Title I & Title II Planning, Design, and Construction Management Services, Engineering Support, Inspection, Special Services, and Submittal Reviews. Mobile, AL	U.S. Army Corps of Engineers, Mobile District 109 St. Joseph Street Mobile, AL 36628	\$3,000	2001
Florida Atlantic University CM for the development and infrastructure for a new campus. Northern Palm Beach, FL	State of Florida University System - Board of Regents 325 W. Gaines Street Tallahassee, FL 32399	\$14,400	1999
Edison Community College – Allied Health Center CM for state-of-the-art medical training facility Fort Myers, FL	Edison Community College 6099 College Parkway SW Fort Myers, FL 33906	\$10,335	1999
M.C. Blanchard Judicial Center CM for additions and renovations to courthouse Pensacola, FL	Escambia County – Board of County Commissioners 223 Palafox Place Pensacola, FL 32501	\$26,356	1999
Charlotte County Jail CM services for a new, multiple classification jail facility. Punta Gorda, FL	County of Charlotte Charlotte County Administration Center 18500 Murdock Circle Port Charlotte, FL 33948-1094	\$16,000	1999
University of Florida Research and Education Center CM for additional state-of-the-art classrooms, laboratories and auditorium Apopka, FL	State of Florida University System Board of Regents 325 W. Gaines Street Tallahassee, FL 32399	\$8,900	1999

Project Name and Location	Owner Name and Address	Cost of Work (in thousands)	Completion Date (Actual or Estimated)
Red Onion Mountain Design/Build contract for a maximum Security Facility Pound, VA	Commonwealth of Virginia Department of Corrections 6900 Atmore Drive Richmond, VA 23225	\$68,000	1998
Hampton Roads Regional Jail CM for a multi-jurisdictional facility. Portsmouth, VA	Hampton Roads Regional Jail Authority The Regional Building 723 Woodlake Drive Chesapeake, VA 23320	\$50,000	1997
Cape Coral Utility Expansion Design and program management services to expand water, wastewater and reclaimed water systems collection and distribution. Cape Coral, FL		Contract Value: \$199 million	2005
Southwest Virginia Regional Jails Design-build of three multi-jurisdictional jails to serve southwest Virginia	Southwest Virginia Regional Jail Authority, 16325 Taylor Place, Suite 400. Abingdon, VA 24211	\$68,000 (in thousands)	2005
St. Brides Replacement Facility Design phase services and construction management of an 11-building complex, comprised of inmate housing, inmate dormitories, food service, medical, water treatment plant and wastewater plant.	Commonwealth of Virginia, Department of Corrections, 6900 Artmore Drive, Richmond, VA 23225	\$52,500(in thousands)	2005
Tazewell County Courthouse Design-build/Construction Management of new courts and jail facility and renovations to existing courthouse and administration buildings.	Tazewell County, 106 E. Main St, Tazewell, VA 24651	\$13,500 (in thousands)	2002
New River Valley Regional Jail Design-build/Construction Management of regional jail.	New River Valley Regional Jail Authority, 108 Baker Road Dublin, VA 24084	\$25,000 (in thousands)	1999

FOR IMMEDIATE RELEASE: December 16, 2003

HALLIBURTON TAKES MAJOR STEP TO RESOLVE ASBESTOS AND SILICA LIABILITIES

HOUSTON, Texas – Halliburton (NYSE: HAL) announced today that it is moving ahead with its previously announced plan to resolve its asbestos and silica liabilities through a prepackaged bankruptcy involving several of its subsidiary companies. The company's DII Industries, Kellogg Brown & Root ("KBR") and other affected subsidiaries filed chapter 11 proceedings today in bankruptcy court in Pittsburgh, Pennsylvania. The cases have been assigned to the Honorable Judith K. Fitzgerald. The affected subsidiaries will continue to be wholly owned by Halliburton and will continue their normal operations. Halliburton Company, the company's Energy Services Group and KBR's government services business are not included in the bankruptcy filing.

Halliburton will host a conference call on Wednesday, December 17, 2003, to discuss the chapter 11 proceedings. The call will begin at 10:00 AM Central Time (11:00 AM Eastern Time). Please visit our website to listen to the call live via webcast. A replay will be available on our web site for seven days following the event. In addition, you may participate in the call by telephone at (913) 981-4900.

The balloting agent tabulating the votes on the proposed plan of reorganization advised Halliburton that valid votes were received from over 386,000 asbestos claimants and over 21,000 silica claimants, representing substantially all known claimants and meeting the voting requirements of section 524(g) of the Bankruptcy Code. Of the votes validly cast, over 98% of asbestos claimants and over 99% of silica claimants have voted to accept the proposed plan of reorganization.

Halliburton also announced that the pre-filing internal reorganization of Halliburton subsidiaries described in the solicitation materials for the proposed plan of reorganization was completed as of Monday, December 15, 2003. In addition, Halliburton's offer to issue 7.6% debentures in exchange for outstanding 7.60% debentures of DII Industries has been completed, and Halliburton issued \$294 million of its 7.6% debentures on December 15, 2003 in exchange for a like amount of DII debentures.

In connection with reaching agreement with representatives of asbestos and silica claimants to limit to \$2.775 billion the cash required to settle pending claims subject to definitive agreements, DII Industries agreed to pay \$326 million of the \$2.775 billion cash amount prior to the chapter 11 filing. These payments were made today prior to the chapter 11 filing.

As a result of filing the chapter 11 proceedings, Halliburton will increase its accrual for current and future asbestos and silica claims to reflect the full amount of the proposed settlement, which will result in a pretax charge of approximately \$1 billion in the fourth quarter of 2003. The tax effect on this charge is minimal, as a valuation allowance will be established for the incremental loss carryforward. The after tax effect of this charge on diluted earnings per share is approximately \$2.29. The fourth quarter financial statements will reflect a reclassification of charges from continuing to discontinued operations reflecting our latest estimate of the actual claims split between continuing and discontinued operations compared to what we had previously recorded prior to completing a substantial portion of the due diligence procedures.

Halliburton, founded in 1919, is one of the world's largest providers of products and services to the petroleum and energy industries. The Company serves its customers with a broad range of products and services through its Energy Services and Engineering and Construction Groups. The Company's World Wide Web site can be accessed at www.halliburton.com.

NOTE: The statements in this press release that are not historical statements, including statements regarding future financial performance, are forward-looking statements within the meaning of the federal securities laws. These statements are subject to numerous risks and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from the results expressed or implied by the statements. These risks and uncertainties include, but are not limited to: legal risks, including the risks associated with the consummation or non-consummation of the proposed settlement, the risks of judgments against the company's subsidiaries and predecessors in asbestos litigation pending and currently on appeal, the inability of insurers for asbestos exposures to pay claims or a delay in the payment of such claims, future asbestos claims defense and settlement costs, the risks of judgments against the company and its subsidiaries in other litigation and proceedings, including shareholder lawsuits, securities laws inquiries, contract disputes, patent infringements and environmental matters, legislation, changes in government regulations and adverse reaction to scrutiny involving the company; political risks, including the risks of unsettled political conditions, war and the effects of terrorism, foreign operations and foreign exchange rates and controls; liquidity risks, including the risks of potential reductions in debt ratings, access to credit, availability and costs of financing and ability to raise capital; weather-related risks; customer risks, including the risks of changes in capital spending and claims negotiations; industry risks, including the risks of changes that affect the demand for or price of oil and/or gas, structural changes in the industries in which the company operates, risks of fixed-fee projects and risks of complex business arrangements;

systems risks, including the risks of successful development and installation of financial systems; and personnel and merger/reorganization/disposition risks, including the risks of increased competition for employees, successful integration of acquired businesses, effective restructuring efforts and successful completion of planned dispositions. Please see Halliburton's Form 10-K for the year ended December 31, 2002 and Form 10-Q for the quarter ended September 30, 2003 for a more complete discussion of such risk factors.

Contact

Cedric Burgher

cedric.burgher@halliburton.com

Halliburton, Investor Relations

(p) 713.759.2688

Wendy Hall

wendy.hall@halliburton.com

Halliburton, Public Relations

(p) 713.759.2605

Employment Contact

jobs@halliburton.com

(p) 800.888.7668

ext. 8005

Supplier/Procurement Contact

kbr_supplier_relations@halliburton.com

Ben Hudson Project Sponsor, KBR

Mr. Hudson brings 17 years of experience in the design and construction of correctional, commercial, industrial and residential projects. He has 14 years of Virginia operations experience, including knowledge of the Virginia Department of Corrections as well as geographical conditions, climatic conditions and local contractors. He extensive project experience with the Virginia Department of Corrections allows him to understand their expectations and requirements. Ben has a proven history of developing and leading teams to execute projects with a commitment to customer satisfaction and loyalty.

Education

B.S., Building Construction,
University of Florida, 1988

Registered General Contractor

Ben has a proven history of developing and leading teams to execute prison projects with a commitment to customer satisfaction and loyalty.

Hampton Roads Regional Jail, Portsmouth, Virginia

KBR performed program and construction management services for an 875-bed regional jail and supporting facilities. This multi-jurisdictional facility serves three cities in Virginia. Ninety percent of the work was performed by local subcontractors.

St. Bride's Replacement Facility, Chesapeake, Virginia

This project involves constructing a replacement facility for an existing prison complex. The new facility will be a 285,000-square-foot building that consists of housing cells, dormitories, food service, water treatment facility, a sewer treatment plant and shop buildings. The design work for this effort was completed in 2001, and the two-phase construction is still in progress.

City of Richmond Jail Expansion, Richmond, Virginia

Construction management services for a jail expansion project composed of 100 beds and 17,660 square feet. The two-story addition includes a non-contact visitation area, administrative support space, CCTV and automatic intercom system, and a raised central control room to monitor all traffic throughout the facility.

VDOC, Correctional Infill Units, Virginia

This project was for the construction management for two 100-bed facilities per site at Pulaski, Botetourt, Baskerville and Culpepper Field Units in Virginia. KBR designed and constructed the facility in nine months; the project included open dormitory and segregation cells, double fencing, administration, warehousing, kitchen, dining, visitation, library and waste treatment facilities.

Red Onion Mountain Maximum Security Facility, Pound, Virginia

This fast-track design/build of a 540,000-square-foot correctional facility was constructed in accordance with Virginia Department of Corrections standards. The project involved construction of four housing units (1,267 beds), medical facilities, kitchen and dining areas, administration offices, support offices and segregation areas (a \$70 million value). This project was the largest design/build contract in Virginia.

New River Valley Regional Jail – VDOC – Dublin, Virginia

KBR was responsible for construction management services for a 139,700-square-foot facility. This fast-track regional jail complies with the accreditation standards of the Virginia Department of Corrections and was the first project constructed under the auspices of Virginia's Design-Build/CM review board.

John Lemley Operations Manager, KBR

Mr. Lemley offers 45 years of construction experience and 23 years of institutional field experience to the project. His operations management experience includes prisons, regional jails, other detention facilities and criminal justice facilities.

John has spent the last seven years managing construction projects in southwest Virginia, such as the New River Valley Regional Jail and the Tazewell County Jail and Courthouse project, for the Virginia Department of Corrections. He has extensive knowledge of Virginia's capital outlay management manual, Department of Corrections' standards and other regulatory requirements. He is also knowledgeable in geographical and climatic conditioning, which encourages the successful completion of projects.

Education

B.S., Building Science and Construction Management, Auburn University, 1983

Certified Engineering Technician, 1972

John's depth of experience with the VDOC allows him to lead the KBR team through the design/build process to meet and exceed customer expectations.

Red Onion Mountain Maximum Security Facility, Pound, Virginia

This fast-track design/build of a 540,000-square-foot correctional facility was constructed in accordance with Virginia Department of Corrections standards. The project involved construction of four housing units (1,267 beds), medical facilities, kitchen and dining areas, administration offices, support offices and segregation areas. This project was the largest design/build contract in Virginia.

New River Valley Regional Jail, Dublin, Virginia

KBR provided construction management services for a 139,700-square-foot facility. This fast-track regional jail is Virginia Department of Corrections accredited and compliant and was the first project constructed under the auspices of Virginia's Design-Build/CM review board.

Plymouth County Multi-Use Correctional Facility, Plymouth, Massachusetts

This fast track design/build project involved construction of a five-story multi-use housing unit (1,140 beds), medical facilities, food service areas, administration offices, support offices and segregation unit to comply with governmental agency requirements, Massachusetts Department of Corrections, United States Marshall, United States Immigration and State of Massachusetts jail standards. This multi-use correctional facility is a total of 480,000 square-feet.

St. Bride's Correctional Center Replacement Facility, Virginia Department of Corrections, Chesapeake, Virginia

This project involves constructing a replacement facility for an existing prison complex. The new facility will be a 285,000-square-foot building that consists of housing cells, dormitories, food service, water treatment facility, a sewer treatment plant and shop buildings. The design work for this effort was completed in 2001, and the two-phase construction is still in progress.

Tazewell County Courthouse and Jail, Tazewell, Virginia

The Tazewell project was a three-phase project: construction of a new jail, demolition of the old jail and various other structures (Phase 1), constructing a new courthouse addition (Phase 2) and the demolition of the old courthouse, various restorations of the exterior of other structures, a new heating and air conditioning system, a new life and safety system and a new electrical system (Phase 3).

Ron Smith General Superintendent, KBR

Mr. Smith has over 14 years of domestic and international construction experience as a Superintendent, Assistant Superintendent, Carpenter Foreman and Labor Foreman. His experience is particularly strong in supervising construction activities of correctional facilities.

Ron's key contributions to the project team include coordination of subcontractors, scheduling, quality control, implementation of safety program and close coordination with the designer to ensure constructability and minimize change orders.

Southwest Virginia Regional Jail Authority, Abingdon, Virginia

Ron currently serves as Project Superintendent of construction of the three facilities that KBR is constructing for the Southwest Virginia Regional Jail Authority. He supervises the daily efforts of subcontractors and all field activities, providing technical input for schedule creation, subcontracting strategy, subcontractor scopes of work, quality of construction, schedule adherence, budget containment, safety, selection of methods, systems, and techniques of construction.

Escambia County Central Booking & Detention Facility, Pensacola, Florida

Mr. Smith served as Project Superintendent for the design/build of a 513-bed County Jail, a 168 Bed Insert Addition and a 2,100-ton Central Energy Plant with total installed cost of \$18 million. His responsibilities included daily coordination of the subcontractors, and quality inspections.

M.C. Blanchard Judicial Center, Pensacola, Florida

Mr. Smith supervised over 30 subcontractors in the construction of a \$29 million, 5-story county courthouse project. He submitted daily reports to the project manager and held weekly safety progress meetings as part of KBR's commitment to quality and safety on the jobsite.

New Wiess College, Rice University, Houston, Texas

Ron supervised over 30 subcontractors on this \$36 million, 4 story residential and 2 story commons and kitchen/serving area project. He conducted weekly meetings on safety and project progress. He maintained daily project status reports to the project manager.

Brent Medium Security Prison, Brent, Alabama

Mr. Smith served as Project Superintendent for 1,800 beds State Prison Facility with a total cost of \$15 million.

Texas Department of Criminal Justice, Beeville, Texas

His responsibilities as Assistant Superintendent for a \$7 million construction project of two 350 bed minimum-security dormitories included coordination of subcontractors for site work, plumbing, mechanical, electrical and finish work.

Operation Restore Hope, Mogadishu, Somalia

Mr. Smith was Superintendent for the construction of 75 housing units for the United States Armed Forces, 12 office buildings for the Joint Task Force Headquarters and four concrete wash racks for the retrograde of all military vehicles. His responsibilities included direct supervision of Somali work force during construction.

Education

Jackson County Junior College

Ron's strong experience in supervising construction activities at correctional facilities enables him to supervise daily activity while providing valuable input to the designers to ensure constructability and minimize change orders.

**AE, Debarment and DGS Forms
(See separate documents on CD,
Forms for Appendix A)**



Appendix B





Project Profile



Coalfields Expressway



Client: Virginia Department of Transportation

Location:

Country: United States

Scope: Design-build-finance 51 miles of highway

Installed Cost \$US: \$1.7 billion, Section A - \$31 million

Year Awarded: 2002

Status: Completion 2022



Coalfields Expressway will replace an existing two-lane roadway in an environmentally sensitive area.

Features

- Viewed as a critical component to the long-term economic health of a historically-impooverished region.
- When completed, there will be more than 500 acres of new developable land.
- Construction, as well as indirect jobs, could result in 1,000 jobs in three counties.
- Commitment to maximizing use of local workers and subcontractors.



KBR

Coalfields Expressway

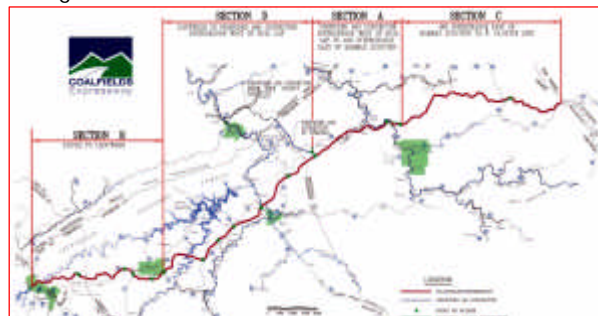
Project Description

Construction of the Coalfields Expressway, or Route 121, stretches 51 miles along Southwest Virginia's mountain ridges linking Interstates 64/77 in Beckley, West Virginia, to U.S. Route 23 in Pound, Virginia. Heading the project's design-build-finance consortium, KBR is working in close partnership with Virginia Department of Transportation (VDOT), as enabled by Virginia's Public-Private Transportation Act.

Typical of Appalachian mountainous regions with high ridges and narrow valleys, relief varies from 80 to 1,400 feet requiring extensive cut and fill. The topography of the Coalfields region requires long and tall

bridges to provide a safe geometric design.

KBR is maximizing Computer-Aided-Design technology on this project to coordinate Virginia-based and multi-state firms in producing a consistent set of drawings. A local project office in Virginia near VDOT and local team members fosters proactive communication between KBR, its large team and the client. KBR created a Plumtree web-site portal to exchange special provisions, standards, drawings, quantities and schedules, and implemented Primavera Expedition for real-time program control of contracts, engineering drawings, as-builts, O&M manuals and project photographs.



Achievements

- Engineering is coordinated from multiple offices.
- This is a technically-challenging highway project with topographical difficulties associated with its course through the Appalachian Mountains and over coal mines.
- This project was designated as a Congressional High Priority Corridor, making it eligible for 80% federal-matching funds.
- The four bridges will be the tallest bridges in Virginia.

KBR Scope

KBR is serving as the Design-Build contractor and the General Engineering Consultant for overall engineering and project management, as well as designing a third of each of the four sections.

For more information contact:

Karen Hooper – Manager of Proposals

Tel: +01 713 753 3905

Fax: +01 713 753 2319

e-mail: karen.hooper@halliburton.com



Project Profile: Southwest Virginia Regional Jail

Client: Southwest Virginia Regional Jail Authority

Scope: Program & Construction Management

Size: 358,748 square feet

Project Value: \$65M

Project Complete: 2005



The construction of three new jail facilities to serve Southwest Virginia is currently ahead of schedule and on budget.

Features

- This project is the addition of three new jail facilities located in Abingdon, Duffield and Haysi, Virginia, with a combined size of 358,748 square feet.
- The facilities will each include inmate housing area, administration areas, kitchen, dining, medical, visitation, laundry, recreational, conference and clerical court areas.
- The facilities will house up to 780 inmates with an expansion capacity up to 1,171 inmates, from minimum to maximum security housing classifications.



KBR

Kellogg Brown & Root, Inc.

Project Description

KBR is providing program and construction management services for three new Jail facilities that will serve the counties of Buchanan, Dickenson, Lee, Russell, Scott, Smyth, Washington, Wise and the City of Norton. The new facilities are located in Abingdon, Duffield and Haysi, Virginia.

The Abingdon facility is a 159,853 square foot multi-jurisdictional self supporting facility, including kitchen, dining, medical, visitation, laundry, recreational and Magisterial, conference and clerical court areas. The entire complex was constructed of pre-cast concrete and masonry. The initial bed capacity is 365 beds with built in expansion capacity of 50% or 548 total beds. Primary Local Government users are the counties of Washington, Smyth and Russell.



The Duffield facility is 119,028 square feet and is also a multi-jurisdictional self supporting facility with the same amenities as the site in Abingdon. Initial inmate capacity is 270 beds with a built in expansion of 50% or 405 beds. Primary Local Government users are Lee, Scott and Wise Counties and the City of Norton.

The Haysi facility is 79,867 square feet with an inmate capacity of 145 beds. Built in expansion capacity is 50% or 218 beds, with the same amenities

as Abingdon and Duffield. Primary Local Government users are Buchanan and Dickenson Counties.



Performing this project as Construction Manager at Risk, KBR provides scheduling, cost control, budget pricing, plan and specification review during design. During the construction phases, KBR performs estimating, value engineering management, bid and contract award management, subcontractor coordination and management reporting systems. KBR monitors Health, Safety and Environmental issues throughout the duration of the project.

The total square footage of the Project in whole is 358,748. Total initial bed capacity is 780, with an expansion capacity to house up to 1,171 beds. General population of the facility includes both male and female inmates with a minimum through maximum security housing classifications.

Achievements

- KBR used a pre-qualification process to select local quality contractors. As a result of the efforts of these contractors, combined with the management and expertise of the KBR team, this project, scheduled for completion in 2005, is currently ahead of schedule.
- Value engineering done by KBR has afforded the client \$700,000 project enhancements while maintaining the original budget. Additionally, through a unique procurement program instituted by KBR, the client saved an additional \$600,000 on materials purchased for the project.

KBR Scope

Program and construction management services.

For more information contact:

Joanne Terlep – Business Development Manager

Tel: 804.225.5836

e-mail: joanne.terlep@halliburton.com

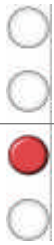
Karen Hooper – Manager of Proposals

Tel: 713.753.3905

e-mail: karen.hooper@halliburton.com

KBR

Kellogg Brown & Root, Inc.



Project Profile: New River Valley Regional Jail

Client: New River Valley Regional Jail Authority

Location: Dublin, VA

Scope: Construction management services

Project Value: \$25 million

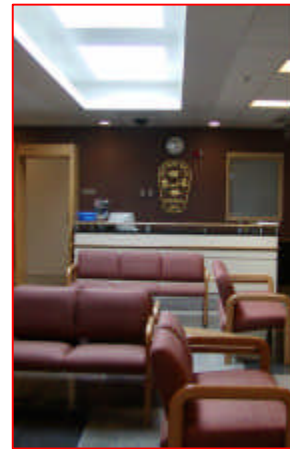
Project Complete: 1999



The New River Regional Jail project was a construction management at-risk contract involving new construction of a 139,700-square-foot facility. Members of the authority included the counties of Bland, Carroll, Floyd, Giles, Grayson, Pulaski and Wythe, and the City of Radford.

This fast-track regional 472-bed jail complies with the accreditation standards of the Virginia Department of Corrections and was the first project constructed under the auspices of Virginia's design-build/CM review board.





Design Phase Services

- Cost control during design
- Scheduling
- Value engineering
- Constructability reviews
- Quality control

Construction Phase Services

- Contract implementation and control
- Scheduling
- Management of direct purchase materials
- Quality control and quality assurance programs
- Bid management
- Subcontractor management
- Facility commissions

Client contact:

Ralph Dobbins

New River Valley Regional Jail Authority
108 Baker Road, Dublin, VA 24084
Phone: (276) 643-2001



Kellogg Brown & Root, Inc.

Project Profile: Red Onion Mountain Maximum Security Facility

Client: Virginia Department of Corrections (VDOC)

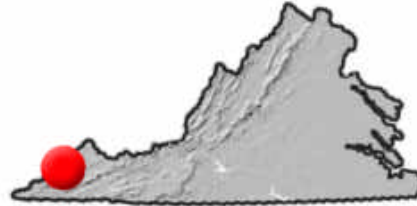
Location: Pound, VA

Scope: Design & Construction Management

Size: 540,000 sq. ft.

Project Value: \$68M

Project Complete: 1998



Working together with the VDOC and design team KBR was able to deliver Red Onion on time and under budget.

Features

- Red Onion Mountain Maximum Security Facility is a 540,000-square-foot, 1,267-bed, maximum-security prison in southern Virginia. Over 400 personnel operate the facility.
- The prison comprises six buildings, including four housing units, medical facilities, kitchen and dining areas, and administration areas, as well as all roadways within the prison and to the local roads.
- This project was the largest design-build contract awarded in Virginia's history.

KBR

Kellogg Brown & Root, Inc.

Project Description

Despite two severe winter blizzards and a shortage of local skilled labor, KBR developed innovative solutions and delivered a top-notch facility four months ahead of schedule and under budget. In severely cold weather, the crew managed the pouring of concrete that included 704 cells weighing 26 tons. They ensured that the blocks were solid in the midst of freezing temperatures that had frozen their equipment into the ground.

Several strategies were used to cut costs. KBR developed a solution to stabilize the site comprised of a less costly foundation system called Deep Dynamic Compaction (DDC). KBR

made pre-cast concrete cells on site, further reducing costs associated with transporting the materials. The VDOC partnership with KBR to use inmate labor led to further reduced costs. The sum of these savings resulted in the construction of a fourth housing unit at no additional cost to VDOC.

KBR developed a good reputation with the local community. Briefings and tours were conducted at the site to dispel community concerns. The project created more than 400 permanent jobs. KBR worked with the Virginia Employment Commission to conduct job fairs and contracted 85% of the workers from the area.



KBR Scope

KBR provided design and construction management services.

For more information contact:

Joanne Terlep – Business Development Manager

Tel: 804.225.5836

e-mail: joanne.terlep@halliburton.com

Karen Hooper – Manager of Proposals

Tel: 713.753.3905

e-mail: karen.hooper@halliburton.com

KBR

Kellogg Brown & Root, Inc.



Project Profile: City of Richmond Jail Expansion

Client: City of Richmond, Department of Public Works

Location: Richmond, VA

Scope: Construction management services

Project Value: \$2.9 million

Project Complete: 1991

The City Jail Expansion was constructed in record time without sacrificing quality or impacting the existing facility's operations or security.

Features

The City of Richmond's jail expansion project included a two-story addition to an occupied multi-custody facility that accommodated 100 beds. The 17,600-square-foot building also included:

- A central control room to control all traffic in the facility via monitoring systems and Folger Adams electric lock system
- Non-contact visitation area
- Administrative support space
- Raised control room in the center of dormitory-style pods that enhance sight lines and minimize required guard positions
- CCTV and automatic intercom system that monitors the entire facility, including administrative support spaces

KBR Scope

- Scheduling
- Cost control during design
- Value management
- Plan and specification building review
- Bid management
- Subcontractor coordination
- Management reporting systems

Achievement

- By using our proven cost control systems and tools, KBR saved the City of Richmond \$300,000 on this project.

For more information contact:

Joanne Terlep – Business Development Manager

Tel: 804.225.5836

e-mail: joanne.terlep@halliburton.com

Karen Hooper – Manager of Proposals

Tel: 713.753.3905

e-mail: karen.hooper@halliburton.com



KBR

Kellogg Brown & Root, Inc.

Project Profile: Hampton Roads Regional Jail

Client: Hampton Roads Regional Jail Authority

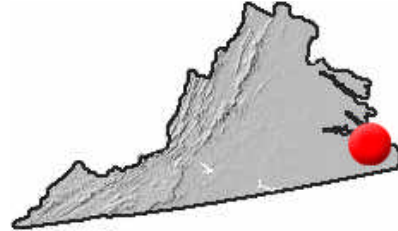
Scope: Program & Construction Management

Size: 400,000 sq. ft.

Project Value: \$80 Million

Project Complete: 1997

Location: Portsmouth, VA



The multi-jurisdictional facility is constructed of precast concrete and masonry and houses support facilities, including kitchen, dining, medical, visitation and recreation areas.

Features

- Hampton Roads Regional Jail is an 875-bed, 400,000 sq. ft. multi-jurisdictional jail facility serving Norfolk, Portsmouth, Hampton and Newport News, Virginia.
- This multi-jurisdictional facility houses support facilities, including kitchen, dining, medical, visitation and recreation areas.
- The entire Hampton Roads Regional Jail facility complex is located on a restricted site that required dynamic deep compaction and wetlands mitigation.
- KBR managed this \$80 million, large-scale Program/Construction Management project, notable for value engineering efforts that substantially reduced agency cost.

KBR

Kellogg Brown & Root, Inc.

Project Description

Serving as the owner's agent directly managing the design and construction, KBR provided scheduling, cost control during design, value management, plan and specification review, bid management, subcontractor coordination and management of reporting systems.

At the punchlist phase, the building contractor relinquished their responsibility and KBR took on the addition role of completing the project.

By effectively working with the owner, design team and contractors, KBR played a key role in saving the project \$5.3 million through value engineering.

By performing a space utilization analysis, unusable space was discovered, recaptured and transformed into space for additional beds. This action reduced the size of the original housing unit by 33 percent. The merits of KBR's value engineering efforts resulted in increased operational efficiency of the facility, a decrease in the facility's cost-per-



Achievements

- The KBR project team as a whole realized a total savings of \$5.3 million for the Authority through value engineering.
- Through an active subcontracting program, KBR was instrumental in reaching a 90 percent participation level with local and minority service providers.

bed ratio and a reduction in the construction schedule.

KBR Scope

KBR provided program and construction management services.

For more information contact:

Joanne Terlep – Business Development Manager

Tel: 804.225.5836

e-mail: joanne.terlep@halliburton.com

Karen Hooper – Manager of Proposals

Tel: 713 753 3905

e-mail: karen.hooper@halliburton.com

KBR

Kellogg Brown & Root, Inc.

HSMM Projects
(See separate documents on CD,
Appendix B)